

**CENTER FOR HEALTH
INFORMATION AND ANALYSIS**

**ANNUAL REPORT ON THE
PERFORMANCE OF THE MASSACHUSETTS
HEALTH CARE SYSTEM**

**SUPPLEMENT 2: COMMERCIAL INSURANCE
PREMIUMS AND BENEFIT LEVELS**



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Commercial Insurance Premiums and Benefit Levels

Premiums and benefit level data are available only for the fully-insured portion of the commercial market and are based on all members covered by an employer contracting with a reporting payer in Massachusetts.¹ Commercial health insurance is sold or administered on a contract basis. When a payer sells an insurance contract to a Massachusetts employer, premiums are set for all employees and dependents under that contract, regardless of member state residency.²

This Supplement presents commercial insurance premium and benefit level trends by payer, by managed care type, and by market sector.

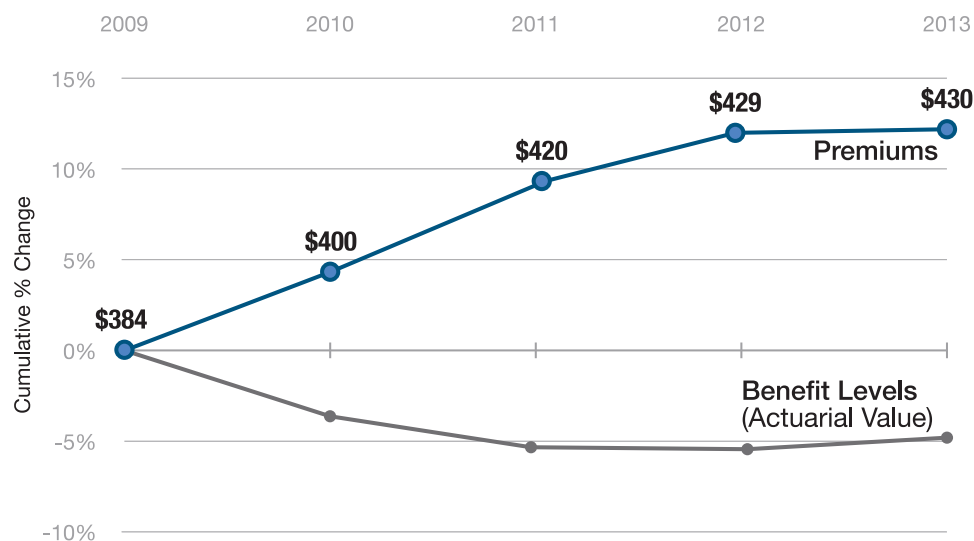
Key Findings:

The average commercial premium in Massachusetts did not change between 2012 and 2013, even while plan benefit levels remained constant. When adjusted for inflation, premiums declined by 1.4% between 2012 and 2013.

The 2013 average Massachusetts health plan premium was \$430 per member per month after rebate adjustments.

Holding benefit, group size, and demographic factors constant across payer populations, “adjusted premiums” in Massachusetts decreased by 1.2% from 2012 to 2013.

The Individual segment of the Merged Market had higher premiums per member per month than any other market sector from 2011 through 2013, with that difference increasing over the three years.



2.1 Premium and Benefit Level Changes (Base Year 2011, 2009-2013)

Notes: Benefit levels measured by average actuarial values (not shown). 2009-10 data does not include CIGNA and WellPoint; this does not materially impact overall market trends.

Source: CHIA (payer-reported data)

Health Care Premiums and Benefit Levels

Both premiums and benefit levels held steady from 2012 to 2013. This is in contrast to previous years, in which premiums increased while benefit levels eroded (Figure 2.1).

The average 2013 Massachusetts commercial health plan premium was \$430 per member per month (PMPM) or \$5,154 per member per year, after rebate adjustments.³ This was essentially unchanged from the 2012 average premium of \$429.11 PMPM. After adjusting for inflation, the average premium fell by 1.4% between 2012 and 2013.

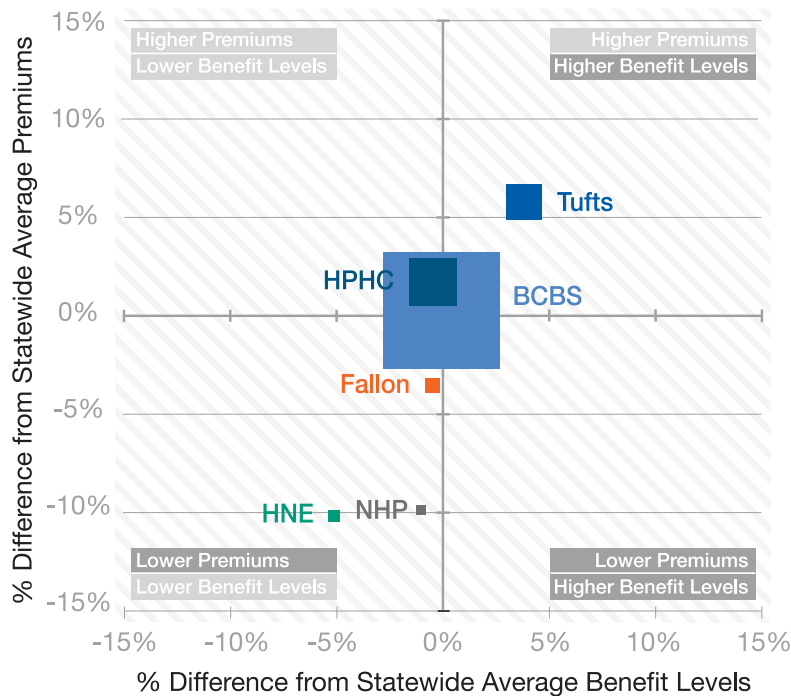
Average plan benefit levels, as measured by actuarial value (AV),⁴ were also steady from 2012 to 2013.

Figure 2.1: Premium and Benefit Level Changes (Base Year 2011, 2009-2013)

¹ Data in this section reported by Blue Cross Blue Shield of MA (BCBS), CIGNA, Fallon Community Health Plan (Fallon), Harvard Pilgrim Health Care (HPHC), Health New England (HNE), Neighborhood Health Plan (NHP), Tufts Health Plan (Tufts) and WellPoint (UniCare). United Healthcare was unable to provide reliable enrollment and premiums data for this report.

Premiums data are for the fully-insured portion of the market only. In future years, CHIA will work with payers to provide premium-equivalent cost information for the self-insured portion of the market.

² These members may be referred to as “contract members” or “contract lives.” See Supplement 10 for more information on Massachusetts contract membership.



2.2 Premium and Benefit Level Differences from Statewide Averages by Payer (2013)

Note: Benefit levels measured by average actuarial values. WellPoint and CIGNA excluded from the figure due to low fully-insured populations. Square size reflects fully-insured enrollment differences.

Source: CHIA (payer-reported data)

Payer	Payer Premiums Net of MLR Rebate PMPM			Change (%)	Actuarial Value (Avg)
	2011	2012	2013	2012-2013	2013
BCBS	\$423.60	\$434.08	\$430.70	-0.8%	0.87
CIGNA	\$350.49	\$352.47	\$321.02	-8.9%	0.85
Fallon	\$378.41	\$410.83	\$414.08	+0.8%	0.87
HPHC	\$436.55	\$436.80	\$437.54	+0.2%	0.87
HNE	\$381.52	\$381.64	\$385.13	+0.9%	0.83
NHP	\$389.68	\$388.38	\$386.90	-0.4%	0.87
Tufts	\$425.40	\$440.31	\$454.55	+3.2%	0.90
WellPoint	\$387.16	\$354.46	\$353.62	-0.2%	0.94
Total	\$420.31	\$429.11	\$429.50	+0.1%	0.88

2.1 Premiums and Benefit Levels by Payer (2011-2013)

I. Health Care Premiums and Benefit Levels by Payer

Premiums and benefit levels are two factors payers weigh when setting plan design to attract and/or retain membership. Generally, plans that offer higher benefit levels also carry higher premiums (Figure 2.2).⁵ These decisions also impact member cost-sharing, as discussed in Supplement 3.

Figure 2.2: Premiums and Benefit Levels (2013) by Payer

The major, fully-insured payers in Massachusetts - BCBS, HPHC, and Tufts - continued to have the Commonwealth's highest average premiums in 2013 (Table 2.1). Tufts reported the highest average premium in 2013 at \$455 PMPM, while also carrying the highest benefit levels among the larger payers. Among the larger payers,⁶ HNE and NHP had the lowest average premiums, at \$385 and \$387 PMPM respectively, while also carrying the lowest benefit levels.

Between 2012 and 2013, Tufts' average premium increased (+3.2%), while BCBS's premiums declined (-0.8%).⁷ Benefit levels across payers remained steady during this timeframe with the exception of Tufts, which increased average benefit levels by +1.9%.

Table 2.1: Premiums and Benefit Levels (2013) by Payer

II. Adjusted Premiums by Payer

Contracted premium rates established between payers and employers (or individuals) account for a variety of factors. Beyond benefit levels, premiums may differ

³ Massachusetts employees' contribution, on average, were approximately 26.2% of total premiums in 2013 for single and family plans. Employer contributions made up the remainder. Source: Medical Expenditure Panel Survey - Insurance Component. Available from <http://meps.ahrq.gov> (Accessed August 29, 2014).

⁴ Benefit levels are measured by Actuarial Value (AV), a measure of the proportion of expenditures covered by insurance versus patient cost-sharing. See Technical Appendix for more information.

⁵ Payers set premiums for employer group contracts based upon a state's allowable rating factors as well as the extent of covered benefits paid by the insurance plan. These rating factors include

	Average Adjusted Premiums PMPM			Change (%)	
Payer	2011	2012	2013	2011-2012	2012-2013
BCBS	\$511.21	\$520.12	\$515.43	1.7%	-0.9%
Cigna	\$456.51	\$463.73	\$443.95	1.6%	-4.3%
Fallon	\$506.46	\$538.34	\$539.62	6.3%	+0.2%
HPHC	\$570.36	\$581.72	\$584.68	2.0%	+0.5%
HNE	\$431.83	\$434.58	\$429.51	0.6%	-1.2%
NHP	\$356.21	\$362.58	\$353.52	1.8%	-2.5%
Tufts	\$660.14	\$674.31	\$663.00	2.1%	-1.7%
Total	\$531.36	\$540.16	\$533.47	1.7%	-1.2%

2.2 Adjusted Premiums PMPM (2011-2013)

Market Sector	Market Sector Definition
Merged Market	Individual Individual contract with payer; includes individual purchases through the Massachusetts Health Connector
	Small Group Employer groups with 1-50 eligible enrollees (see 211 CMR 66.04)
	Mid-Size Group Employer groups with 51-100 enrolled employees
	Large Group Employer groups with 101 to 499 enrolled employees
	Jumbo Group Employer groups with 500 or more enrolled employees

2.3 Commercial Market Sectors (Market Contracts by Employer Size)

depending on the group size, geography, age, and gender mix of a prospective membership.⁸ Holding these factors constant across payer populations provides a more comparable view of premium rate changes across payers.

Overall “adjusted premiums” in Massachusetts decreased by 1.2% from 2012 to 2013. In other words, adjusting for changes in benefit and other group factors, Massachusetts premiums declined year-over-year, even before accounting for inflation (Table 2.2).

Table 2.2: Adjusted Premiums PMPM (2011-2013)

III. Health Care Premiums and Benefit Levels by Managed Care Type

In 2013, the average premium for fully-insured HMO plans was \$436 PMPM, \$22 higher (5.2%) than premiums for PPO plans. There was broad variation in HMO plan premiums across payers. On average, BCBS and HPHC had higher premiums for HMO plans than for PPO plans. In contrast, Tufts, Fallon, and HNE reported lower premiums for HMO plans.⁹ NHP only reported HMO, fully-insured membership in 2013. Premiums, however, were not adjusted for differences in benefit levels or member health status, factors that may impact these noted differences.¹⁰

IV. Health Care Premiums and Benefit Levels by Market Sector

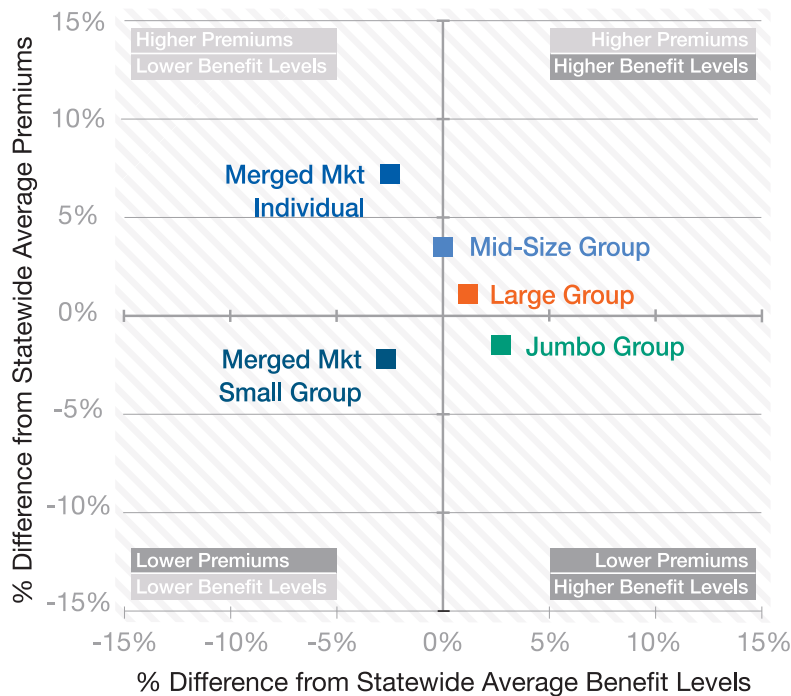
Nearly all Massachusetts commercial market members are enrolled in an insurance plan

gender, age, geographic area, group size, and tobacco use. In the Massachusetts merged market, gender cannot be used to vary premiums.

⁷ CIGNA's average premium PMPM declined (-8.9%) from 2012 to 2013 for its small fully-insured population.

⁶ “Larger” payers defined as payers with over 50,000 fully-insured members.

⁸ In the Massachusetts merged market, gender cannot be used to vary premiums.



through an employer. Contracts set between payers and employers of varying sizes are governed by different federal and state regulations. Employers of different sizes may also experience different negotiating leverage. To assess the impact these differences may have on premiums and benefit levels, data were segmented by employer size, or market sector, for analysis.

Figure 2.3: Commercial Market Sectors (Market Contracts by Employer Size)

The Individual segment of the Merged Market had the highest average premiums PMPM for all three years, 2011 to 2013.¹¹ Average premiums PMPM were lowest in the Small Group segment of the Merged Market (\$421) and Jumbo Group (\$423) market sectors in 2013.

Figure 2.4: Premiums and Benefit Levels (2013) by Market Sector

The average premiums for the Individual segment of the merged market increased more than any other market sector from 2012 to 2013 (+1.8%). This followed the sector's 2011 to 2012 premium increase of +3.9%, the second greatest increase for a market sector (behind the Mid-Size Group with a +4.1% increase) during that year-over-year period.

Benefit levels across all market sectors for all three years remained largely constant. Reported data suggests that larger group size may be generally associated with lower premiums and higher benefit levels.

2.4 Premiums and Benefit Levels (2013) by Market Sector

	Premiums Net of MLR Rebate PMPM			Change (%)	Actuarial Value (Avg)
Market Sector	2011	2012	2013	2012-2013	2013
Individual	\$435.52	\$452.61	\$460.96	1.8%	0.85
Small Group	\$412.28	\$418.74	\$420.59	0.4%	0.85
Mid-Size Group	\$424.28	\$441.50	\$443.80	0.5%	0.88
Large Group	\$423.35	\$434.18	\$433.38	-0.2%	0.89
Jumbo Group	\$422.20	\$426.38	\$423.17	-0.8%	0.90
Total	\$420.31	\$429.11	\$429.50	0.1%	0.88

2.3 Premiums and Benefit Levels (2013) by Market Sector

Table 2.3: Premiums and Benefit Levels (2013) by Market Sector

⁹ Fallon and HNE reported PPO populations of only 5% and 14% of total membership in 2013. See Technical Appendix for more information.

¹⁰ See DataBook for more detail.

¹¹ M.G.L. c. 176J allows individuals to purchase coverage in the small group health insurance

market (creating the "merged market") and applies the small group insurance laws to both small group and individual plans. An employer whose has 1 to 50 employees is eligible to purchase insurance in the small group market. Note that in the Massachusetts Small Group market, there are group size rating variables that permit variation in rates; not all groups within this market category experience uniform market rates.



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